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California Renewable Energy Fund on the Decline

As a California fund that supports the market for electricity from renewable sources continues to dwindle, state officials are considering cutting the size of payments to companies. The impending cutbacks are expected to hurt the state's green power market just as it is gaining momentum, according to a report in the San Jose Mercury News.

The crunch reportedly had been expected for months. The fund, set up under the state's 1996 electricity restructuring law to help promote the use of renewable energy over a period of four years, was financed by a system benefits charge levied on general electricity consumption and designed to provide \$135 million per year from 1998 to 2001.

Of the total, 45 percent was to go to support existing renewables, 30 percent to support new renewables, 10 percent to support emerging renewables and 15 percent to support the green power market. The increasing number of Californians who have chosen to use green power is partly to blame for the depletion of the fund ahead of schedule. Some 40,000 Californians chose green power in December, increasing to a little more than 100,000 today. That's still less than two percent of all electricity customers statewide.

"A credit level of 1.5 cents per kilowatt-hour cannot be sustained beyond January 2000 without exceeding the funding available," stated a recent California Energy Commission (CEC) analysis. If the amount provided to companies is not reduced, the deficit will reach more than \$11 million by June 2000, the report said.

The Mercury News article pointed out that the state has little time to figure out what to do. "We would like to make a decision...by November of this year," said Tim Tutt, a commissioner with the CEC. He said waiting delays the inevitable and that the amount of the credit reduction "might be more dramatic" if it is put off beyond that point.

California officials are considering adjusting the credit every month to ensure the amount paid never exceeds the money available. However, this would make it nearly impossible for green power suppliers to promise a precise rate to customers.